

# The Permanent Community Impact Fund/ Community Impact Board Utah Division of Housing & Community Development Department of Workforce Services

The Permanent Community Impact Fund program (PCIF), also known as the Community Impact Board or CIB, is a program of the state of Utah which provides loans and/or grants to state agencies and subdivisions of the state which are or may be socially or economically impacted, directly or indirectly, by mineral resource development on federal lands. It has operated since 1979.

The sources of the CIB's funding are the Mineral Lease *royalties* (funds generated from the extraction of minerals on federal lands) and *bonus funds* (funds generated on the leasing of new federal minerals sites) returned to the State by the federal government. Half of the Mineral Lease revenues generated in the state of Utah are returned to the State. (Since 2012, a portion of the royalty funds has been sequestered by the federal government each month but is returned within the first quarter of the following federal fiscal year.)

Mineral Lease royalty and bonus funds are distributed to State agencies according to statute. The CIB receives approximately 35% of the State's Mineral Lease royalty funds and 70% of the bonus funds. Forty percent of the State's mineral lease royalty funds are returned proportionally to the county of origin.

Project loan or grant applications submitted to the CIB are approved by the 11-member, statutorily-created board whose members are appointed by the Governor. Projects must be included in the current county-prioritized Capital Improvements List to be eligible for consideration. The CIB reviews competitive project applications year-round but funds projects on a trimester schedule.

The CIB makes every effort to maximize the return on investment and will offer applicants an interest-bearing loan whenever a project can sustain a repayment, either through a general obligation or revenue bond. At other times, the Board may elect to offer grants, no-interest loans or grant/loan mix, depending on what the project applicant can afford. By state statute, Mineral Lease royalty funds may be granted or loaned at a zero-plus interest rate; bonus funds must be loaned at not less than ½ of the average interest rate paid by the State on general obligation bonds issued during the most recent fiscal year in which the bonds were sold. Repayment income generated on loaned funds as well as interest generated on funds held in trust must follow the same source/use definitions. Lending practices have ensured long-term viability of the

CIB program despite the recent decrease in new federal revenues being posted by the State.

The types of projects funded by the CIB include a variety of community infrastructure improvements, including drinking water, sewer, roads/streets/curb & gutter, public buildings/public safety buildings, medical facilities, airports, fire stations, and the occasional recreation complex, etc. The CIB also funds equipment such as fire trucks and ambulances.

A handful of states do have municipal loan programs, but none have been as successful or impactful as Utah's Permanent Community Impact Fund.

- Between 1979 and 2016 YTD, the Permanent Community Impact Board has received \$938.2 million in new receipts but has funded nearly \$1.78 BILLION in infrastructure projects in rural Utah, an average of over \$49.4 million every year for 36 years.
- Assuming a modest leverage of 1:5, nearly \$9 BILLION was spent in rural Utah in that 36-year period, an average of \$250 million a year.
- Assuming an economic multiplier of 1:7 (consistent with the construction industry), the PCIF Board's investment in rural Utah has translated into \$63 BILLION in economic impact outside of the Wasatch Front.

And perhaps most importantly, the \$1.6 billion dollar investment has "paid off", with a significant portion of those funds – having been loaned – being returned to the program, to be revolved into new capital investment. Of the \$1.6 billion invested, over 25% of the revenue was repayment income generated by low-interest loans. And the impact of loan repayment revenue is just beginning to be recognized, with nearly 80% of all loan revenue being generated since 2003.

In FY 15, new receipts totaled \$64.8 million, but total revenue for new projects was \$98.6 million. In FY 16 (YTD), we have seen a dramatic reduction in federal mineral lease funds, as a result of dramatic reductions in oil and natural gas production. As of February, new receipts totaled just over \$22 million for the CIB, compared to \$49.2 million for the same period in FY 15.

What does it cost to operate the CIB? In FY 15, administrative expenditures totaled \$713,142, including all staff expenses for project and fiscal management, loan servicing, legal counsel, board expenses etc. It is a very efficient model for state government in that .07% -- less than 1% of the projects funded -- was used to run the CIB "bank".



